GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

STARRED QUESTION NO:359
ANSWERED ON:18.08.2005
MERGER OF IOC SUBSIDIARIES
Saroj Shri Tufani

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the Indian Oil Corporation is planning the merger of some of its subsidiaries into itself; and

(b) if so, the details thereof and the reasons therefor?

Answer

MINISTER OF PETROLEUM & NATURAL GAS AND PANCHAYATI RAJ (SHRI MANI SHANKAR AIYAR)

(a): Yes, Sir.

(b): Indian Oil Corporation Limited (IOC) have planned the merger with themselves of their subsidiaries, Indian Oil Blending Limited (IOBL), IBP Co. Limited (IBP), Bongaingaon Refinery & Petrochemicals Limited (BRPL) and Chennai Petroleum Corporation Limited (CPCL). The details thereof and the reasons therefor are summarized at the Annex.

Annex

ANNEX REFERRED TO IN REPLY TO PART (b) OF THE LOK SABHA STARRED QUESTION NO.359 BY SHRI TUFANI SAROJ TO BE ANSWERED ON 18.8.2005 REGARDING MERGER OF IOC SUBSIDIARIES

Proposed merger	Reasons given by IOC for the merger	Status of the proposal
(i) Merger of Indian Oil Blending Limited (IOBL) with IOC	IOBL is engaged in blending of lubes and greases against payment of fixed blending fees by IOC. The earnings of IOBL have been decreasing due to shifting of indents to newly commissioned plants of IOC. The earnings of IOBL are not adequate to operate profitably. Post-merger with IOC, the losses of IOBL would be off-set against the profits of IOC, resulting in tax benefits to IOC.	The Board of IOBL had decided for the merger of IOBL with IOC. The proposal was examined by the Government and approval for the merger conveyed to IOC on 14.7.2005. Both the companies are in the process of initiating necessary legal formalities for the merger.
(ii) Merger of IBP Co. Limited (IBP) with IOC	Both IOC and IBP are engaged in the business of storage, distribution and marketing of petroleum products, both in the retail and direct consumer trade. In some of the locations, the infrastructure facilities of both the companies overlap and costs are incurred in operation and maintenance of these overlapping facilities. Similarity of businesses and possible synergies between IOC and IBP will result in higher efficiency, economy of scale and improved profits. The amalgamation of IBP with IOC is expected to result in consolidation of the business of marketing of petroleum products in one entity and in strengthening the position of the merged entity, viz.,IOC,by enabling it to harness and optimise the synergies of the two companies.	The Boards of IOC and IBP have approved a Scheme of Amalgamation of IBP with IOC. The proposal is under examination of the Government.

(iii) Merger of Bongaigaon Refinery & Petrochemicals Limited (BRPL) with IOC	Both IOC and BRPL are engaged in business of refining of petroleum products. BRPL is also engaged in the business of petrochemicals and Polyester Staple Fibre (PSF) products. IOC have also earmarked in a big way in petrochemical business with the setting up of Linear Alkyl Benzene (LAB) project at Gujarat and the proposed Paraxylene (PX)/Purified Terephthalic Acid (PTA), Naphtha Cracker Complex at Panipat. BRPL as a stand alone subsidiary company will find it difficult to face the uncertainties of the global oil scenario. Hence, to maximize the utilization of the assets and facilities and also to optimize the national resources and to reduce overheads, it would be appropriate to merge BRPL with IOC thereby facilitating integrated, synergic and cost effective operations.	The Boards of IOC and BRPL have given "in principle" approval for the proposed merger of BRPL with IOC. These companies are in the process of appointment of various agencies with a view to working out a fair swap ratio for equity shares and also for developing a scheme of amalgamation.	
(iv) Merger of Chennai Petroleum Corporation Limited (CPCL) with IOC	Both IOC and CPCL are engaged in business of refining of petroleum products. CPCL is also engaged in the business of petrochemicals. IOC has also earmarked in a big way in petrochemical business with the setting up of Linear Alkyl Benzene (LAB) project at Gujarat and the proposed Paraxylene (PX)/ Purified Terephthalic Acid (PTA), Naphtha Cracker Complex at Panipat. CPCL as a stand alone subsidiary company will find it difficult to face the uncertainties of the global oil scenario. Hence, to maximize the utilization of the assets and facilities and also to optimize the national resources and to reduce overheads, it would be appropriate to merge CPCL with IOC thereby facilitating integrated, synergic and cost effective operations.	In CPCL, approximately 15% of the total equity is held by National Iranian Oil Company (NIOC) and their prior consent is essential before any process of merger is initiated as it is essential that NIOC holding in CPCL is first acquired by IOC before merger. Negotiations are on with NIOC requesting them to off-load their equity holding in CPCL favouring IOC. Once this process is complete, IOC would initiate necessary proposal for the merger of CPCL with itself.	